

Message Text

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ACTION OPIC-12

INFO OCT-01 ARA-11 ADP-00 EB-11 AID-20 COME-00 GSA-01

INT-08 OEP-01 SS-15 NSC-10 L-03 IGA-02 XMB-07 INR-10

CIAE-00 NSAE-00 TRSE-00 PA-03 PRS-01 USIA-12 CIEP-02

OMB-01 SIL-01 LAB-06 FRB-02 STR-08 CEA-02 /150 W

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P 241933 Z MAY 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 9988

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PASS OPIC AND BUREAU OF MINES

EO 11652: N/A

TAGS: EMIN, BL

SUBJ: EMBOSA' S TIN CONCENTRATING PLANT

REF S: (A) STATE 093800; (B) A-25 OF FEBRUARY 13, 1971; (C) LA PAZ
0652; (D) LA PAZ 0469; (E) LA PAZ 0301; (F) LA PAZ 0257;
(G) LA PAZ 0237; (H) LA PAZ 0165.

BEGIN SUMMARY. ON BASIS AVAILABLE DATA THERE IS CLEAR DOUBT
WHETHER IMPC' S TECHNICAL PROCESS HAS BEEN PRACTICALLY PROVEN AND
SOME DOUBT AS TO WHETHER EVEN A REFINANCED AND EXPANDED OPERATION
CAN BE PROFITABLE. WHILE WE DO NOT EXCLUDE OPIC INSURANCE-
FINANCING IN EXTRACTIVE FIELD WE BELIEVE THIS QUESTION SHOULD BE
APPROACHED WITH GREAT CAUTION, ON HIGHLY SELECTIVE BASIS AND WITH
STRINGENT CRITERIA. WE DO NOT BELIEVE IMPC MEETS THESE CRITERIA AND
THEREFORE RECOMMEND AGAINST FINANCING SOUGHT. END SUMMARY.

1. FOLLOWING COMMENTS REFER TECHNICAL QUESTIONS PARA (1) OF
REF (A):

A. TECHNICAL PROCESS PROVEN, ACCORDING TO FRANK TYE, BOTH BY
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IMPC AND BY WHEAL JANE TIN MINE NEAR CAMBORNE, CORNWALL, BRITAIN. MINING MAGAZINE (MONTHLY BRITISH PUBLICATION) OF APRIL 1973, HOWEVER, STATES THAT IN WHEAL JANE CONCENTRATING PLANT, USING 610 METRIC TONS PER DAY INPUT, CONSISTING OF 1.25 PERCENT TIN, 1.9 PERCENT ZINC, 0.3 PERCENT COPPER, 1 PERCENT ARSENIC, AND 9 PERCENT SULFUR ORES, PROBLEM OF TIN RECOVERY NOT FULLY SOLVED BECAUSE OF FINE TEXTURE OF CASSITERITE AND EXCESSIVE SULFIDES. WHEAL JANE REPORTEDLY PRODUCES FROM TAILINGS FINAISHED CONCENTRATE CONTAINING 11 TO 17 PERCENT TIN. WHEAL JANE MANAGEMENT MAY BE GOOD SOURCE OF INFORMATION TO HELP FORMULATE DECISION ON WHETHER TECHNICAL PROCESS USED BY IMPC/ EMBOSA HAS BEEN PRACTICALLY PROVEN .

B. MINERALS ATTACHE CONSIDERS IMPC' S TECHNICAL PROCESS PROVEN IN STRICTLY TECHNICAL SENSE (AS IS ALSO INDICATED BY IBRD STUDY REFERRED TO BELOW), BUT NOT REPEAT NOT YET ON AN ECONOMIC BASIS. TAILINGS LIKELY TO BE PROCESSED IN NEXT FEW YEARS, ON BASIS REPORTS FROM SEVERAL KNOWLEDGEABLE SOURCES, CONTAIN 0.45 TO 0.50 PERCENT TIN IN SAND PARTICLES BETWEEN 65 MESH AND 400 MESH. ONLY 60 PERCENT OF TOTAL TAILINGS, HOWEVER, ARE WITHIN 65 TO 400 MESH SIZE MATERIAL. WITHIN THESE MESH SIZES WE ESTIMATE 60 PERCENT TO 60 PERCENT RECOVERY. WHEN TAILINGS MATERIAL LARGER THAN 65 MESH OR SMALLER THAN 400 MESH, TIN CONTAINED IN IT REPORTEDLY ONLY 10 PERCENT RECOVERABLE AND, THEREFORE, UNECONOMIC TO TREAT.

C. IMPC MANAGEMENT HAS BEEN RETICENT IN DIVULGING COST DATA TO MINATT, BUT DETAILED ESTIMATES OF COSTS AS OF LATTER PART OF 1970 WERE NEVERTHELESS PICED TOGETHER AND SENT IN REFAIR. PRESENT OR FUTURE U. S. DOLLAR PRODUCING COSTS MAY BE LOWER DUE 1) DEVALUATION; AND 2) EMBOSA' S NEW STATUS AS JOINT VENTURE WHICH ELIMINATES PAST ROYALTY OF 8 PERCENT OF VALUE OF GROSS TIN PRODUCTION SOLD TO COMIBOL. PRESENT HIGHER PRICE OF TIN ALSO TENDS MAKE PROPOSAL OF EXPANSION MORE ATTRACTIVE. GIVEN 0.45 PERCENT TIN CONTENT OF TAILINGS AND RECOVERY FACTORY OF 50 PERCENT OF TIN, NET RECOVERABLE TIN PER METRIC TON IS ABOUT 5 POUNDS. ON THE BASIS OF IMPC' S PERFORMANCE IN LAST QUARTER OF 1970 IN WHICH 530 M. T. OF TAILINGS WERE PROCESSED PER DAY, AND ON BASIS RATHER TENUOUS ADJUSTED COST FIGURES, INCLUDING ONLY LABOR, REAGENTS AND POWER, (FIGURES OBTAINED FROM FRANK TYE AND SEVERAL COMIBOL OFFICIALS) IT APPEARS THAT EMBOSA WOULD OPERATE AT A LOST OF U. S. \$1.00 PER M. T. WHEN PRODUCING 20 PERCENT TIN CONCENTRATE AT PRESENT PRICES FOR SUCH TIN CONCENTRATES IN BOLIVIA. IN REACHING ABOVE RESULT WE LIMITED OFFICIAL USE

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F. THESE RESULTS CONTRAST WITH ESTIMATES CONTAINED IBRD REPORT ON THE MINING AND METALLURGICAL SECTOR BOLIVIA, VOLUME III, ANNEX 2 METALLURGICAL SURVEY (REPORT NUMBER PI-14) OF NOVEMBER 15, 1971. IBRD INDICATES PROFITS WOULD BE ABOUT US\$ 96 PER M. T. OF 20 PERCENT CONCENTRATES WHEN PLANT PROCESSING 800 M. T. OF TAILINGS PER DAY AND AT NET PRICE OF US\$ 440 PER M. T. IBRD STUDY SHOWS MUCH LOWER LABOR, REAGENT AND POWER COSTS AT 800 M. T. OF TAILINGS PER DAY THAN DO OUR ESTIMATES AT 1,000 M. T. OF TAILINGS PER DAY. IBRD STUDY ALSO SHOWS LOWER EXPORT TAX DUE TO LOWER PRICE THEN PREVAILING AND DOES NOT INCLUDE SPECIAL EXPORT TAX.

G. ANY POTENTIAL PROFITS LIKELY DISAPPEAR AND DEFICITS INCREASE IF ENTIRE RECOVERY PROCESS (MILL CIRCUIT) CANNOT BE KEPT IN CONTINUOUS OR NEAR CONTINUOUS OPERATION. ENTIRE INSTALLATION ' S INITIAL COST WAS TO BE ABOUT \$1.5 MILLION, BUT DUE MANY DIFFICULTIES AND DELAYS FINAL COST INSTALLATION PUT AT OVER \$3.0 MILLION BY FRANK TYE. OVER 18 MONTH PERIOD STARTING AUGUST 1969, MILL PRODUCED ABOUT 48 TONS OF 20 PERCENT TIN PER MONTH OR 9.6 METRIC TONS OF FINE TIN EQUIVALENT MONTHLY. AT RATED CAPACITY OF 1,000 METRIC TONS PER DAY, MILL SHOULD HAVE PRODUCED 375 METRIC TONS OF 20 PERCENT TIN PER MONTH, BUT IT COULD NOT DO SO DUE TO REPEATED BREAKDOWNS. WE LACK SUFFICIENT INFORMATION TO JUDGE PRECISELY AT WHAT ANNUAL PRODUCTION LEVEL PLANT REACHES BREAK- EVEN POINT. SUCH ESTIMATE
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WOULD BE HIGHLY DEPENDENT ON KNOWLEDGE MAINTENANCE AND REPAIR COSTS.

H. MINATT SUGGESTS THAT THOROUGH INVESTIGATION OF CAUSES OF ERRATIC PRODUCTION NEEDED. IN MINATT' S OPINION AN IMPORTANT REQUIREMENT IS TO DEVISE NEW METHOD FOR PHYSICAL MOVEMENT OF

TAILINGS

TO MILL. PAST AND PRESENT DELIVERY OF TAILINGS TO MILL HAS BEEN DEPENDENT ON SMALL DREDGE POWERED BY HIGH COST ELECTRICITY. MOREOVER, PROBLEMS OF HIGH ACIDE CONTENT IN WATER ON WHICH DREDGE OPERATES MAY BE MOSTLY SOLVED IF DREDGE ELIMINATED. THIS WOULD ALSO CUT DOWN ON SPARE PARTS COSTS FOR MILL CIRCUIT BECAUSE SUCH COSTS FOR ALTERNATE MEANS LIKELY TO BE SMALLER.

I. EMBASSY UNDERSTANDS SPECIALIST IN ORE- CONCENTRATION METHODS (ORE- DRESSING), WALTER MECKEL, WHOSE ADDRESS IS IGNACIO MEDINO 691, MIRAFLORES, LIMA, PERU, ACTED AS TECHNICAL CONSULTANT FOR IMPC. MECKEL OF SOUND TECHNICAL REPUTATION IN TIN CONCENTRATING FIELD, AND OFTEN DID CONSULTING WORK FOR ESTALSA AND OTHERS. SUGGEST HE MIGHT BE CONTACTED FOR PROFESSIONAL ADVICE SINCE TECHNICAL PROBLEMS INVOLVED HIGHLY SPECIALIZED.

J. WE DO NOT HAVE DETAILS OF HOW IBRD AND OPIC MONEY WOULD BE INVESTED. SOME OF THESE FUNDS COULD BE USED TO CURE DEFICIENCIES OF PRESENT OPERATIONS. HOWEVER, SINCE DECEMBER 1972, PLANT HAS NOT BEEN IN OPERATION DUE TO DREDGE BREAKDOWN AND COMIBOL, ACCORDING TO MINMINES, HAS BORNE US\$70,000 PER MONTH FIXED COSTS WITHOUT ANY HELP FROM IMPC (TYE). (MANUAL MERCADO, CHAIRMAN OF EMBOSA, SAYS LOSS IS US\$48,000 PER MONTH. HE ALSO INDICATED FRANK TYE' S LIMITED FUNDS APPARENTLY BLOCKED UNDER TEXAS LEGAL PROCEEDINGS INITIATED BY PHILIPP BROTHERS. HIS INABILITY TO CONTRIBUTE HIS SHARE OF COSTS CAME TO CRISIS IN JANUARY 1973 (SEE REFTELS) WHEN MOVE WAS MADE TO VOID IMPC PARTICIPATION IN EMBOSA ON GROUNDS THAT 1) IMPC NOT BEARING ITS PORTION OF DEFICIT; 2) IMPC HAD NOT FULFILLED TERMS OF CONTRACT WHICH REQUIRE IT TO OBTAIN FINANCING FOR EXPANSION OF OPERATION.

2. RE PARA (2) OF REF (A), WE VIEW POLICY IMPLICATIONS OPIC FINANCING OR INSURANCE IN EXTRACTIVE INDUSTRIES AS EXTREMELY IMPORTANT. WE BELIEVE USG NOW WELL OUT OF THIS SENSITIVE AREA IN BOLIVIA AND SHOULD REENTER ONLY ON MOST CAREFULLY SELECTIVE BASIS; I. E., THAT THERE SHOULD BE STRONG BIAS AGAINST FINANCING OR LIMITED OFFICIAL USE
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INSURANCE IN EXTRATIVE INDUSTRIES AND THAT ANY SUCH SUPPORT SHOULD ONLY BE GRANTED WHEN INVESTMENT MEETS HIGHEST CRITERIA AND SERVES VIRTUALLY ALL DESIRABLE GOALS. FOR EXAMPLE U. S. INVESTOR PARTNER IN MIXED ENTERPRISE SHOULD HAVE RECOGNIZED TECHNICAL QUALIFICATIONS IN FIELD OF HIS INVESTMENT. HE SHOULD ALSO IN HIS OWN RIGHT HAVE TO FINANCIALLY SOUND A POSITION AS TO FULLY JUSTIFY CREDITS BEING SOUGHT AND THIS COMPANY SHOULD HAVE UNBLEMISHED REPUTATION IN HOST COUNTRY. WHILE BACKING FOR EXPERIMENTAL PROCESSES SHOULD NOT BE EXCLUDED, TECHNICAL AND ECONOMIC DATA SHOULD INDICATE HIGH PROBABILITY OF SUCCESS AND FORM OF INVESTMENT (E. G., EXCLUSIVELY FOREIGN VERSUS VARIATION ON MIXED COMPANY) SHOULD BE FULLY ACCEPTABLE IN ACCORDANCE WITH LAW, PRACTICE

AND EVEN PREVAILING PREJUDICES IN HOST COUNTRY .

3. AS MIXED INVESTMENT WITH STATE ENTERPRISE, COMIBOL, IN
WHICH U. S. INVESTOR HOLDS ONLY 45 PERCENT OF SHARES, WOULD APPEAR
THAT EMBOSA WOULD MEET AT LEAST ONE OF
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